

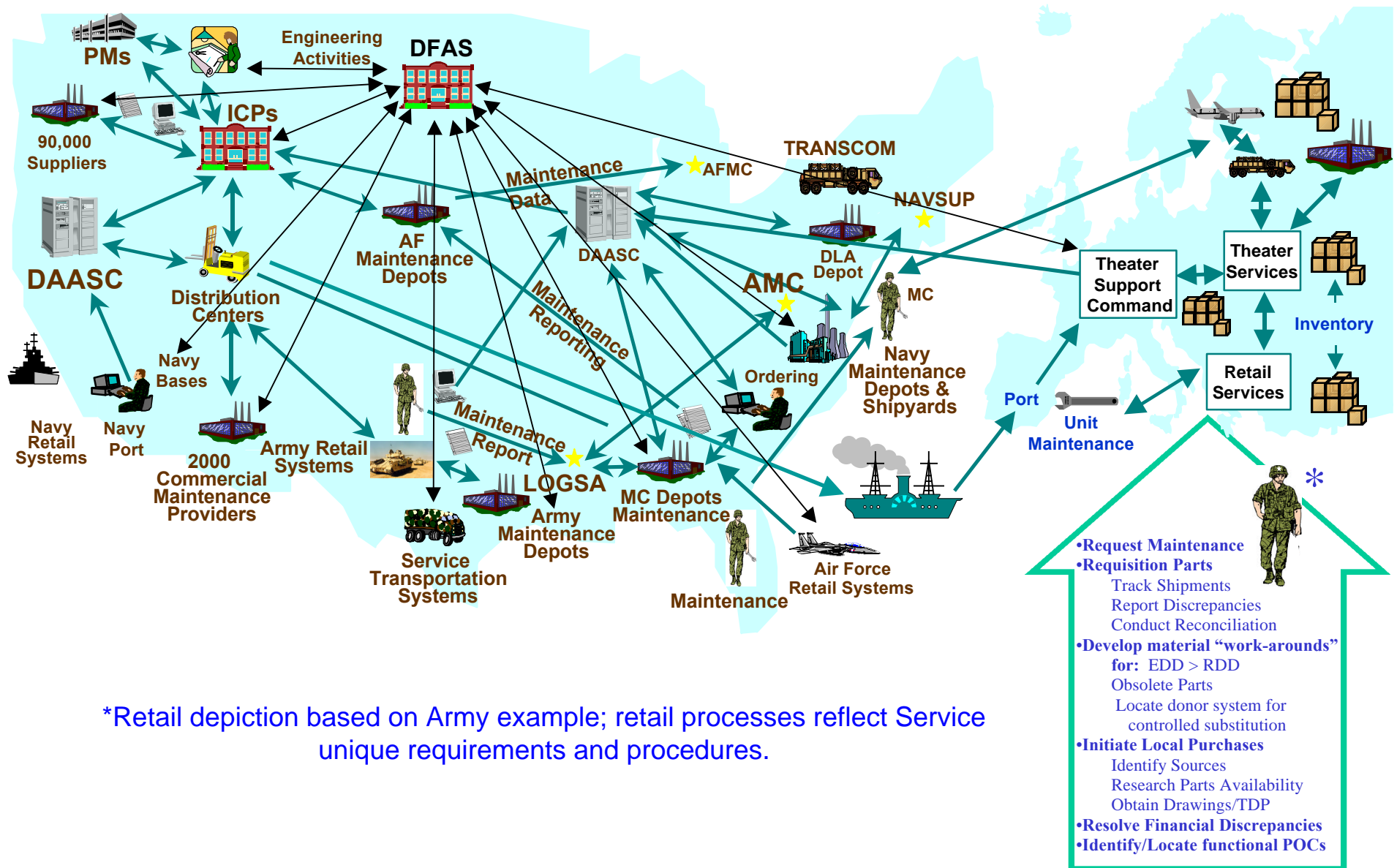
# *Implementing Performance-Based Sustainment*

**19 April 2001**

# ***Key Facts***

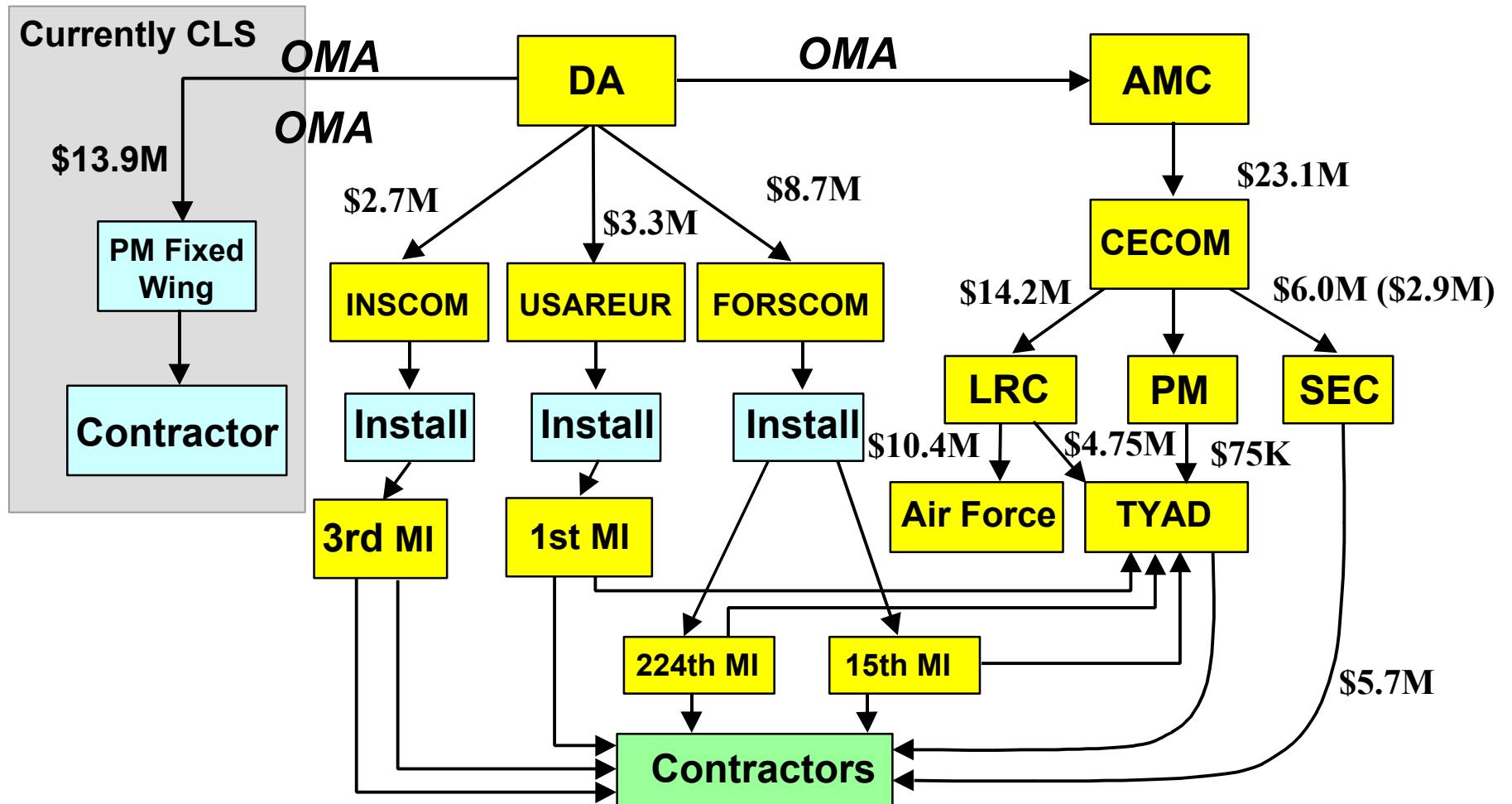
- **DoD is budgeting approximately \$82B/year for logistics**
  - \$62B in weapon system sustainment
- **Customer service levels are inconsistent**
  - Contributes to degraded readiness
- **No accountability for weapon system sustainment**
  - Dependent on the aggregate “process”
  - Stovepipes sub-optimized to functional metrics
  - No link between input and output

# Where We Are



\*Retail depiction based on Army example; retail processes reflect Service unique requirements and procedures.

# Where We Are: Financial Management (Guardrail Example)



Source: AMSAA Study, Dated 3/99

***This is Not the Total Funding Picture !!***

# *Where We Are*

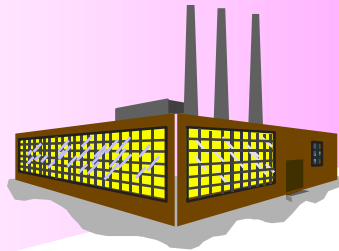
## **BUY WEAPON SYSTEMS**

**\$95B/Year**

- Design
- Develop
- Build

## **CATALOG PARTS**

- 5M NSNs

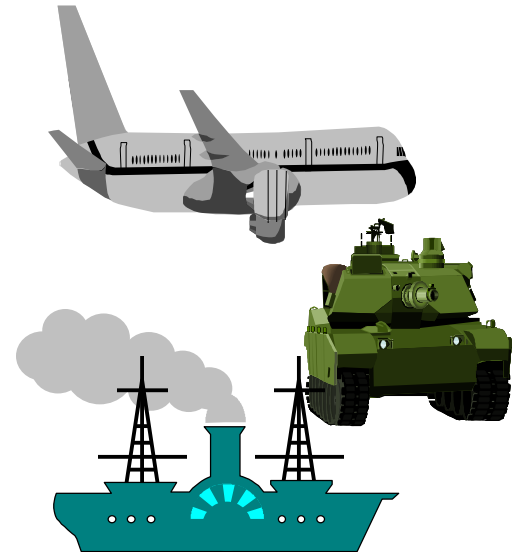


## **MANAGE PARTS**

**\$62B/Year**

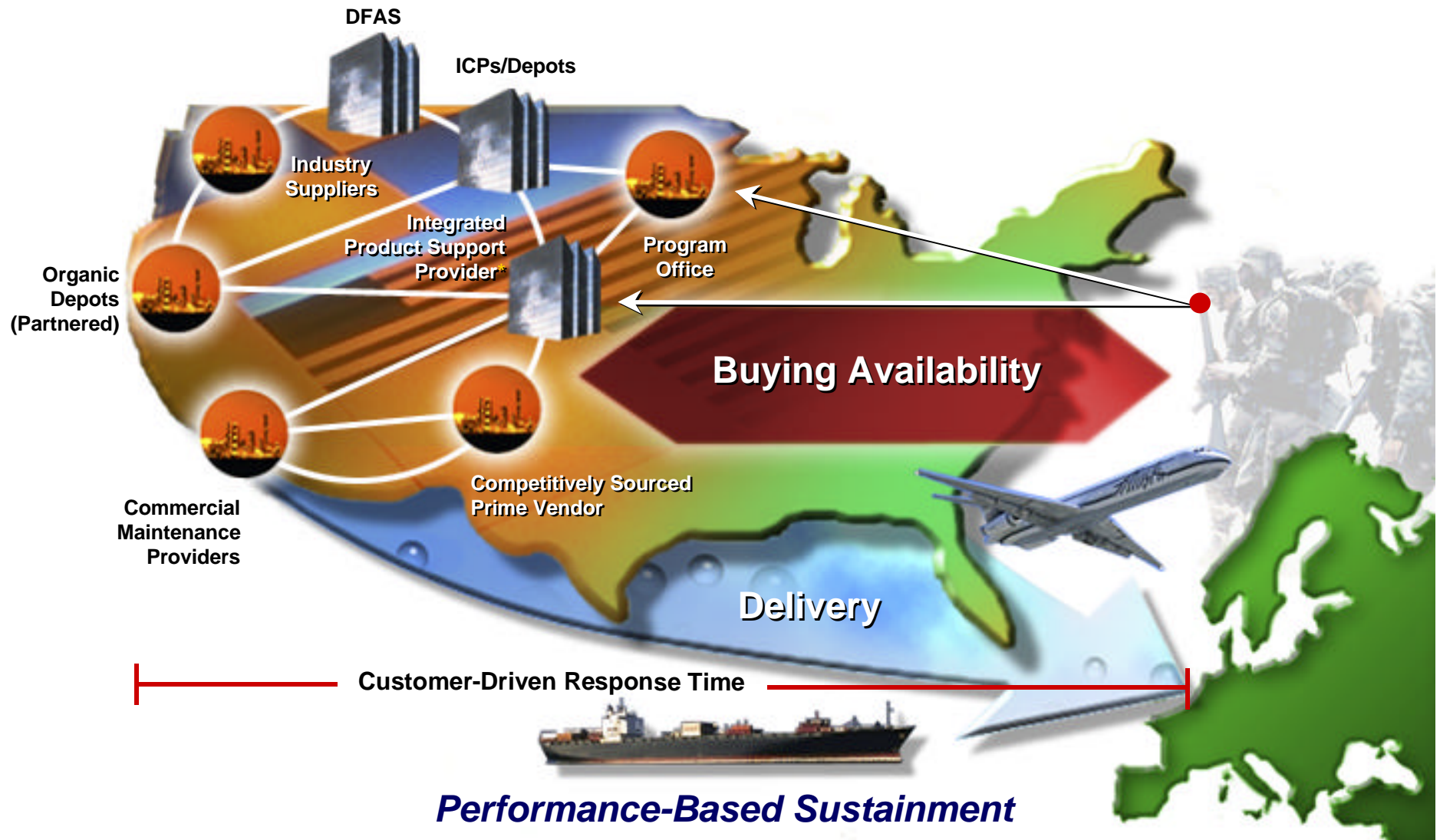
- Finance
- Buy
- Manage
- Move
- Maintain

## **FIGHT WITH WEAPON SYSTEMS**

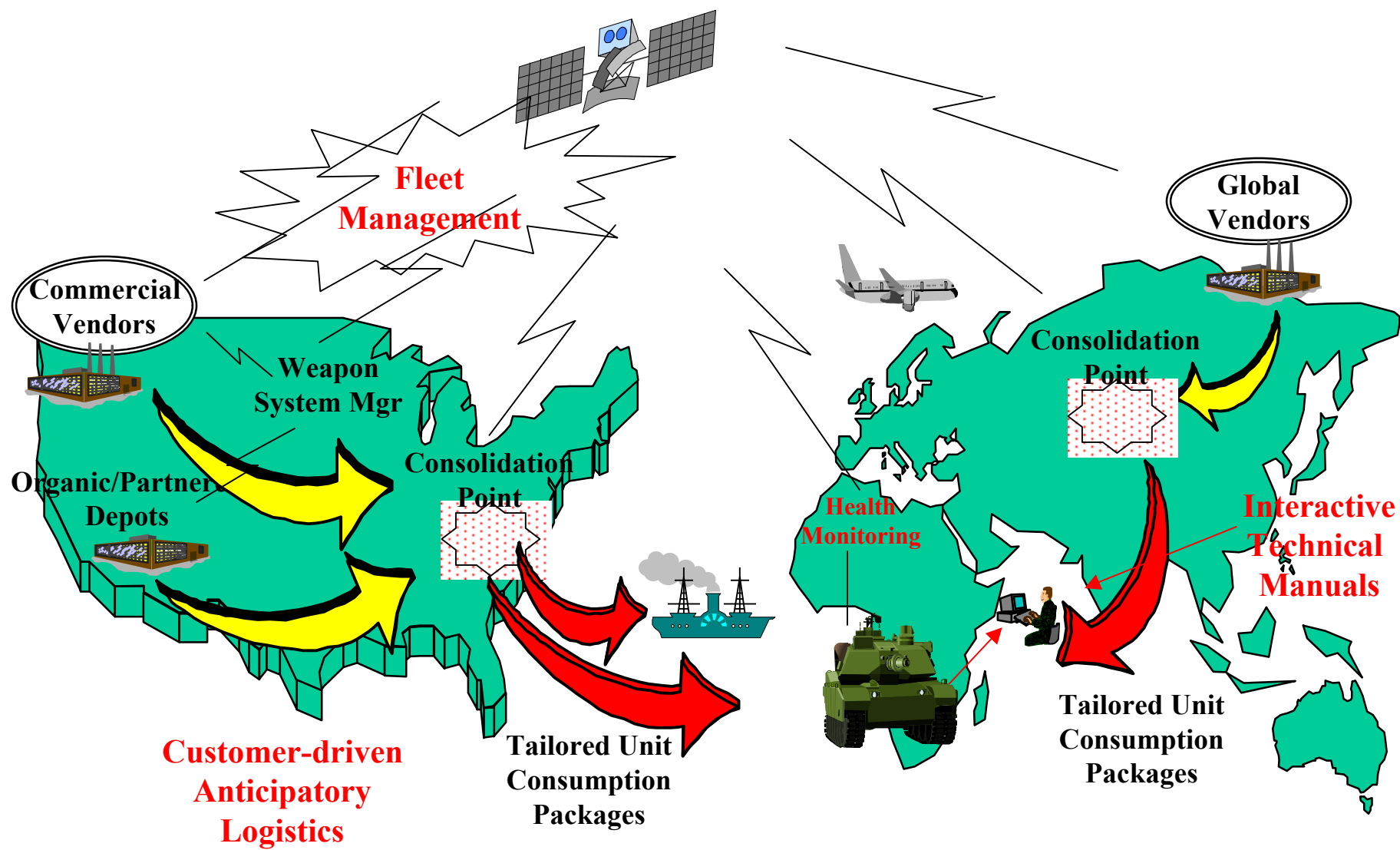


**Multiple Handoffs**

# *Where We Need to Be*



# *Performance-Based Sustainment*



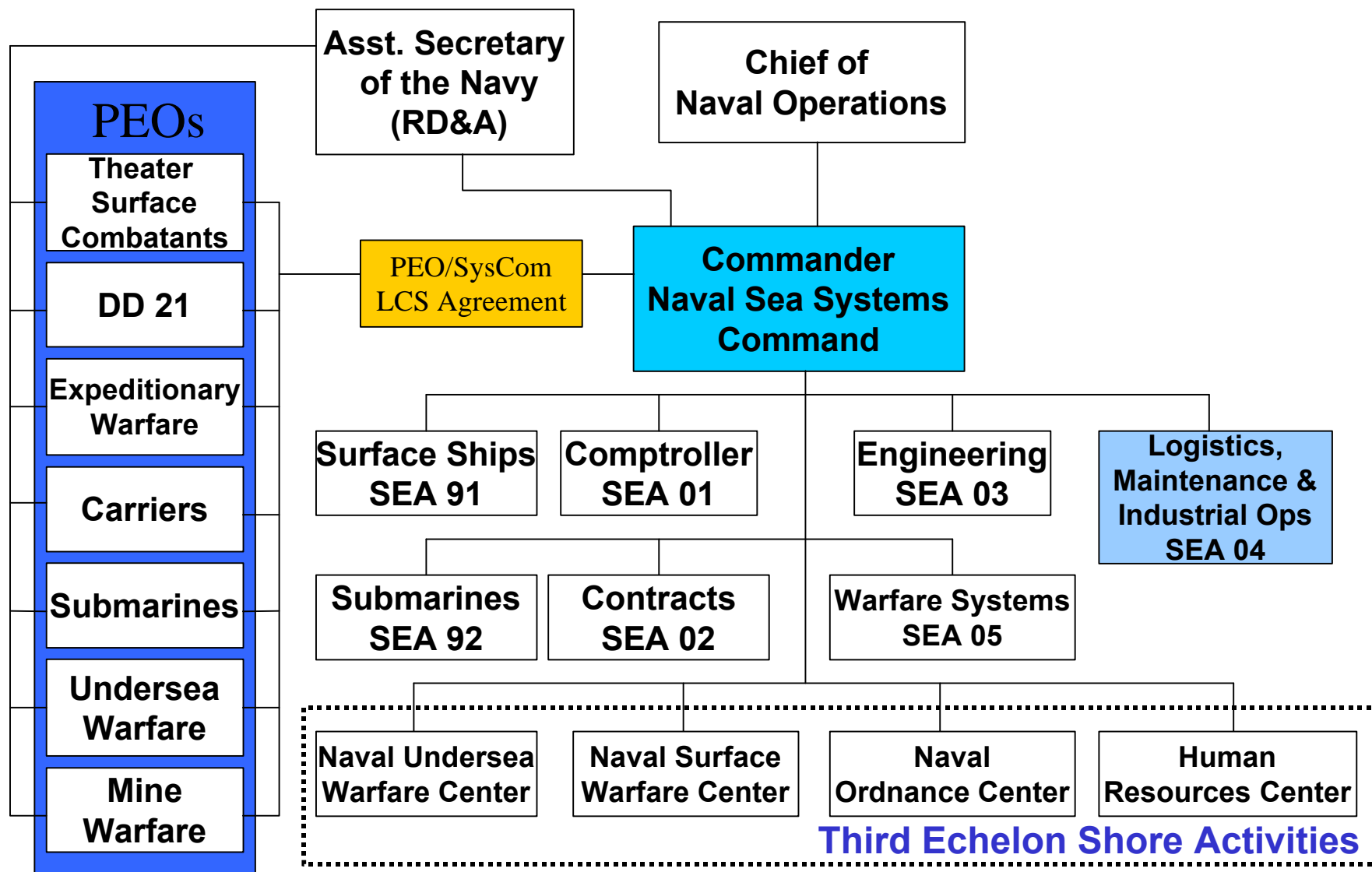


# ***Performance-Based Sustainment***

- **Program manager is responsible for life cycle sustainment**
  - PM manages integrated logistics chain
  - DoD sustainment commands foster transparency and interoperability
- **Performance agreements negotiated with operational customers**
- **PM builds performance agreements with organic providers**
- **National ownership of material and services to the point of consumption — eliminate requisitions**
- **Logistics and financial transactions transparent at the operational level**
- **Outcome performance measured throughout the process**
- **Employ health monitoring technology to maximize supportability and readiness of major systems**
  - Maintenance data reported without human intervention



# Naval Sea Systems Command

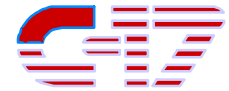


# *Recent Examples*

- **C-17**
- **F-117**
- **T-45**
- **SOCOM**

# *Flexible Sustainment*

- **What Flex is...**



- Major Performance-Based Support Contract
- 8-year strategy to support the Operational Fleet while still in production
- Integrated support for both the engine and the airframe
- Combination of ICS, CLS and Organic Support
- Closely monitored program based on mission needs and cost control
- Boeing is the IMM (OCT 99)

- **In the future, pursuing regulatory compliance**

- The final depot support decision for the C-17 (Decision due FY 03)
- Cost -Benefit Analysis underway
- Public-Private partnerships desirable



# *F-117 Stealth Fighter (TSPR)*

## *Total System Performance Requirements*

<i>Fiscal Year</i>	<i>NMCS</i>	<i>MICAP Delivery</i>	<i>RSP Kits</i>	<i>Depot Delivery</i>	<i>Depot Quality</i>	<i>Late DRs</i>	<i>WST</i>	<i>Total</i>
<b>Total Pts Available</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>100</b>	<b>50</b>	<b>1,000</b>
<b>93*</b>	<b>0</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>135</b>	<b>100</b>	<b>50</b>	<b>735</b>
<b>94*</b>	<b>175</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>135</b>	<b>100</b>	<b>50</b>	<b>910</b>
<b>95*</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>120</b>	<b>135</b>	<b>100</b>	<b>50</b>	<b>855</b>
<b>96*</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>120</b>	<b>135</b>	<b>100</b>	<b>50</b>	<b>955</b>
<b>97</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>90</b>	<b>135</b>	<b>100</b>	<b>50</b>	<b>925</b>
<b>98</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>90</b>	<b>120</b>	<b>100</b>	<b>50</b>	<b>910</b>
<b>99 (Oct-Jul)</b>	<b>250</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>100</b>	<b>50</b>	<b>1000</b>



### **Performance Metrics**

<b>FY98</b>	<b>STD</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Sep-98</b>
MC Rate (%)	80	Y	Y	Y	Y	Y	Y	G	G	G	Y	Y	G	82.9
NMCS Rate (%)	5	G	G	Y	G	Y	Y	G	G	G	G	G	G	5.4
MICAP Delivery (Hrs)	72	G	G	Y	G	G	G	G	G	Y	G	G	G	43.5
RSP Fill Rate (%)	96	G	G	G	G	G	G	G	G	G	G	G	G	98.0
Depot Delivery (Days)	1	R	G	G	G	G	G	G	G	G	G	G	G	0
Depot Quality (Disc)	4:10	G	G	G	G	G	G	G	G	G	G	G	G	3:8
DR Response (#)	1	G	G	G	G	G	G	G	G	G	G	G	G	0
WST Availability (%)	99	G	G	G	G	G	G	G	G	G	G	G	G	99.6
Spare Engines (#)	9	G	G	G	G	G	G	G	G	G	G	G	G	12
<b>FY99</b>	<b>STD</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Jul-99</b>
MC Rate (%)	80	G	G	G	G	G	G	Y	Y	G	G			86.0
NMCS Rate (%)	5	G	G	G	G	G	G	G	G	G	G			2.2
MICAP Delivery (Hrs)	72	G	G	G	G	G	G	G	G	G	G			33.9
RSP Fill Rate (%)	96	G	G	G	G	G	G	G	G	G	G			98.7
Depot Delivery (Days)	1	G	G	G	G	G	G	G	G	G	G			0
Depot Quality (Disc)	4:10	G	G	G	G	G	G	G	G	G	G			3:0
DR Response (#)	1	G	G	G	G	G	G	G	G	G	G			0
WST Availability (%)	99	G	G	G	G	G	G	G	G	G	G			99.8
Spare Engines (#)	9	G	G	G	G	G	G	G	G	G	G			10

### **Sustainment Metrics**

# ***T-45 Contractor Logistics Support***

- **Description**

- Firm-Fixed Price Contractor Logistics Support
- Total system O, I, and D level aircraft CLS
- Ground training system CLS
- Depot maintenance program and administration

- **Performance Objectives**

- Ready for training  $> 70\%$
- Continuous lowering of cost/flight hour
- Reduced maintenance man-hour per flight hour
- Improved mean flight hours between failures



**100% sortie completion rate**

# *Special Operations Forces*

## *Support Activity*

- Integrated Contractor / Government Team for operational and depot-level maintenance
- Modify five new aircraft and forty existing aircraft to mission enhanced configuration

### **Results Achieved:**

- Reduced man-hours / aircraft by 2961 hours
- Reduced downtime per aircraft by 38 days
- Goal: To reduce maintenance downtime on each aircraft by 73 days

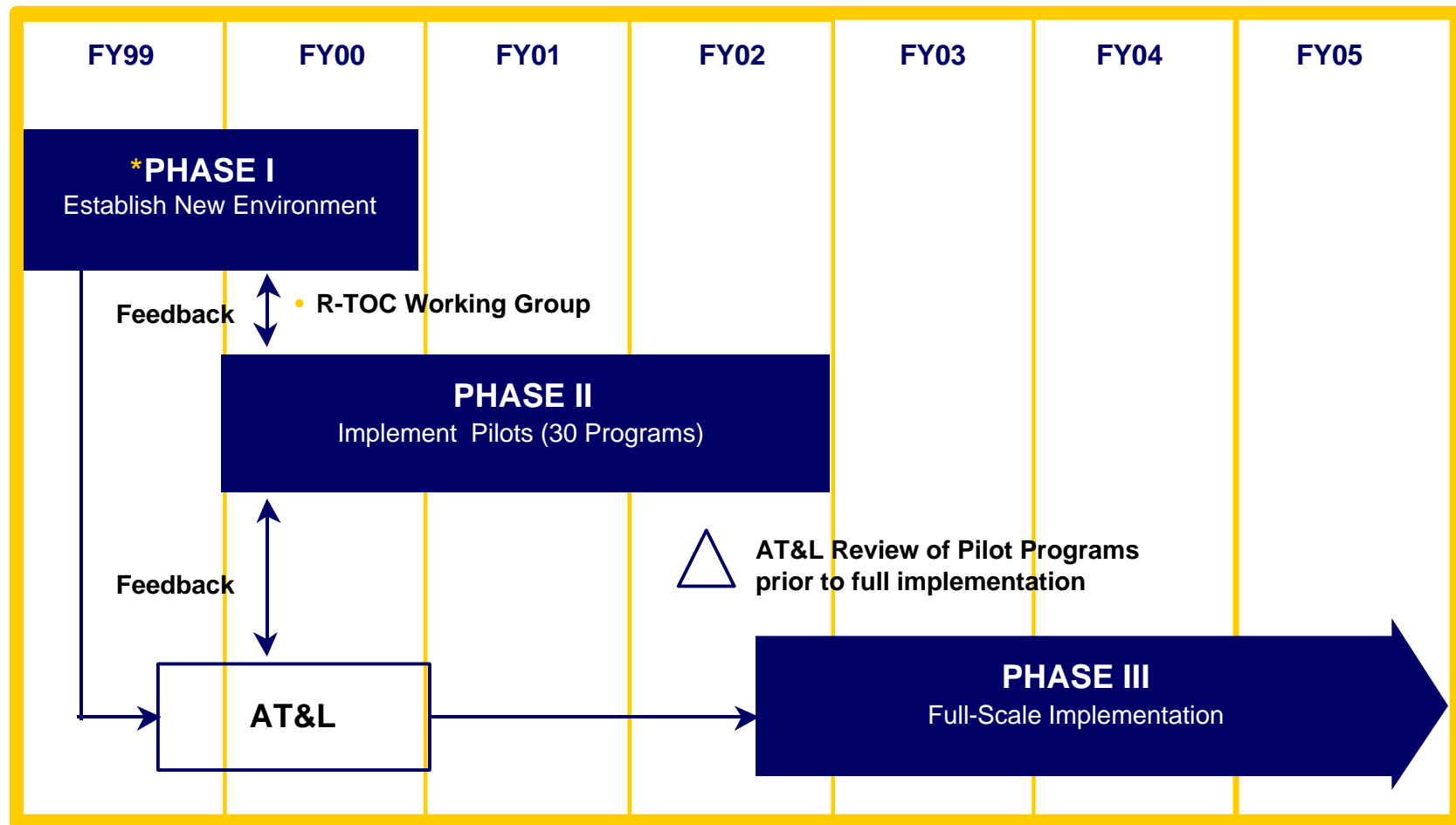
*Little Bird*



*Depot Agile Repair Team  
(DART) Repairing MH-53  
Pave Low*

# *Move Towards PBS*

## The Overall Strategy





# Pilot Programs

Pilot Program Product Support Assessments					
GOOD		FAIR		WEAK	
M-1 *	AAAV	Apache	F-16 *	AFATDS	SLAM-ER
CH-47	MTVR	Crusader	SBIRS	ASE/CASS	EA-6B*
Comanche	H-60	Aegis	B-1B	Common Ship	KC-135
Guardrail *	C-17	LPD-17	CMC	CVN-68	AWACS
HEMTT	F-117	<div>* Performance Based Pilot Programs</div>			
HIMARS	JSTARS				
TOW/ITAS	C-5				

# *Current Status*

- **On 16 August, 2000, status briefing provided to PDUSD(AT&L)**
- **Briefing highlighted diversity of strategies underway and recommended three issues be addressed:**
  - ① **Formal warfighter performance agreements**
  - ② **Binding performance provisions for organic providers**
  - ③ **Performance-based enabling financial arrangements (e.g., program-specific DWCF)**
- **PDUSD(AT&L) directed that each Service identify a pilot program to devise potential solutions**

# ***Four Programs Selected***

- **M-1 Abrams Tank (Army)**
- **Guardrail/Common Sensor (Army)**
- **EA-6B (Navy)**
- **F-16 (USAF)**

## **RESULTS:**

- **Good performance agreements with warfighters**
- **Good performance agreements with organic providers**
- **Metrics implementation schedules need push**
- **Financial enablers deficient**

# *What We Need to Do*

- Macro: Drive expansion of pilot program strategies based on Jan 01 Review
  - DPG requires this review (30 programs)
  - Services will have had 2-3 years to implement pilot strategies
  - Opportunity to assess readiness & cost benefits
  - Forum for providing OSD guidance and expectations
- Micro: Build DUSD(L&MR) influence during weapon system reviews
  - Six programs engaged between Dec 00 - Mar 01
  - Estimate 12-18 programs to be engaged between Apr - Dec 01 via Milestone Reviews
  - Estimate 60 +/- programs requiring DUSD(L&MR) support
  - Enforce PBL agreements, readiness incentives, system integration, etc.
- Policy: Strengthen DoD acquisition policy and guidance to PMs and logistics commands
  - DoD 5000 revision cycles (semi-annually)
  - Performance Based Sustainment Guide
- Budget: Enforce PBL and O&S cost reduction objectives via PPBS events (e.g., POM Review, PBDs, etc.)
- Workforce: Re-tool the workforce while re-tooling acquisition and logistics organizations
  - Develop an educated, up-to-date workforce
  - Leverage DAU, web-based, commercial training

# *Near-Term Implementing Actions*

- **Accelerate USD(AT&L) review of pilot programs (from JAN 02 to OCT 01)**
- **Revise DOD 5000.2-R to include PM responsibility for materiel readiness and product sustainment (NOV 01)**
- **Require customer PBS agreements for all major platforms (OCT 02) (FY 03 execution)**
  - **Review by DUSD(L&MR)**
- **Require organic provider agreements with PMs for all major platforms (OCT 02)**
- **Consolidate “product center” sustainment funds within PM offices for all major platforms**
  - **Achieve efficiencies**
  - **Implement in FY 02 PBD cycle for FY 03 execution**
- **Implement Certificate/Masters Degree program for the Acquisition Logistics workforce (DEC 01)**

# *Back-Up Slides*

# Prime Vendor Support (PVS) Contract Synopsis

- **Firm Fixed Price per flying hour with shared savings**
- **16% reduction in flying hour cost, includes:**
  - 20% increase in flying hours
  - \$320M of system modernization
- **Price commitment for follow-on contract**
- **Field/Deployment support**
  - Technical Representatives (+60)
  - Two rapidly deployable SRA's
- **25,000 flying hour surge capability**
- **life of contract performance warranty**
- **Performance-based guarantees**
  - Stock availability/requisition fill time
  - Non Mission Capable Supply (NMCS)
- **Commitment to small business participation**
- **Catalog to small business participation**
- **Catalog pricing for Foreign Military Sales (FMS)**
- **Increased technical support and workload to Corpus Christi Army Depot (CCAD)**
- **Manage and refresh Army War Reserve (AWR)**





# Apache Wars

